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Message Text

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ACTION EB-08

INFO OCT-01 EA-07 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00
DOTE-00 INR-07 NSAE-00 FAA-00 /025 W
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R 150417Z MAR 77
FM AMEMBASSY KUALA LUMPUR
TO SECSTATE WASHDC 6515
INFO AMEMBASSY BANGKOK
AMEMBASSY JAKARTA
AMEMBASSY MANILA
AMEMBASSY SINGAPORE

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E.O. 11652: N/A
TAGS: EAIR, MY
SUBJECT: MALAYSIAN AIRLINE SYSTEM EXPERIENCING DIFFICULTIES

1. SUMMARY: LOCAL PRESS HAS SPECULATED ON MAS LOSSES DURING CURRENT OPERATING YEAR. WHILE CONFIRMATION OF LOSSES NOT POSSIBLE IT IS CLEAR MAS FACING MOST DIFFICULT PERIOD SINCE FORMATION. GOM PRESENTLY STUDYING WAYS TO IMPROVE MAS POSITION. END SUMMARY.

2. LOCAL PRESS HAS BEEN GIVEING EXTENSIVE COVERAGE TO MALAYSIAN AIRLINE SYSTEM'S (MAS) INCREASING PROBLEMS. AN UNCONFIRMED REPORT STATED THAT MAS LOST U.S.$3.6MILLION DURING THE FIRST SIX MONTHS OF ITS CURRENT OPERATING YEAR (APRIL 1, 1976 TO MARCH 31, 1977). MAS HAS NOT COMMENTED ON THIS REPORT BUT HAS STATED THAT IT IS UNDERTAKING AN AUSTERITY PROGRAM TO IMPROVE ITS PROFITABILITY. ALL INDICATORS POINT TO FACT THAT MAS WILL FINISH THIS OPERATING YEAR IN RED FOR THE FIRST TIME ITS FORMATION IN 1973.

3. MAS IS CURRENTLY FACING DIFFICULTY IN NEGOTIATING WITH
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BRITISH TO UTILIZE THEIR SECOND DC-10 ON K.L.-LONDON ROUTE REPLACING CURRENT 707. BRITISH HIGH COM SOURCES NOTE MAS HAS DISPROPORTIONATE SHARE OF MARKET AND ALREADY HAS MORE CAPACITY ON K.L.-HONG KONG AND K.L-LONDON ROUTES THAN ENTITLED TO BE AGREEMENT. MAS PRESENTLY LOOKING TO AMSTERDAM AS DESTINATION FOR DC-10 AS BRITISH SEEM MOST UNLIKELY TO GIVE IN ON THIS ISSUE.

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4. IN RECENT CONVERSATION EMBOFF AND INFORMED BY SECRETARY GENERAL OF MINISTRY OF POWER AND COMMUNICATIONS (WHICH MAS ANSWERS TO) THAT GOM IS NOT PLEASED WITH MAS' PERFORMANCE. SEC GEN FEELS THAT MAS' PLANNING HAS NOT BEEN WELL THOUGHT OUT AND FAILED"...TO TAKE REALITY INTO ACCOUNT". SECGEN WENT ON TO STAY THAT HIS MINISTRY NOW STUDYING MAS' PROBLEMS AND LOOKING FOR SOLUTIONS.

5. MAS ARGUES THAT MANY OF ITS PROBLEMS ARE BEYOND ITS CONTROL AND ARE DUE TO GOM POLICY RATHER THAN MAS OPERATIONS. THE MOST COMMONLY STATED COMPLAINT OF MAS IS THAT GOM POLICY REQUIRES THEM TO MAINTAIN AN EXTENSIVE INTERNAL NETWORK WHILE THE GOM TAXES FUEL EXCESSIVELY. ACCORDING TO MAS SOURCE ITS COST OF FUEL FOR INTERNAL FLIGHTS IS DOUBLE COST FOR INTERNATIONAL FLIGHTS.

6. COMMENT: ALTHOUGH CONFIRMATION OR GREATER DETAIL IS DIFFICULT TO OBTAIN, IT IS CLEAR THAT MAS IS NOW EXPERIENCING ITS MOST DIFFICULT PERIOD SINCE FORMATION. WHILE IN NO REAL FINANCIAL DANGER, IT HAS OVER U.S.$4 MILLION IN RETAINED EARNINGS, IT WILL BE COMING UNDER INCREASING GOM PRESSURE TO TIGHTEN UP PLANNING AND OPERATIONS.
GOM DIFFICULTY IN RENEGOTIATING CIVIL AIR AGREEMENTS TO UTILIZE SECOND DC-10 MAY WELL BE PRECLUDE TO MAS' SLOWING DOWN OF EXPANSION PLANS. END COMMENT.
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Message Attributes

Automatic Decaptioning: X
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
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Subject: MALAYSIAN AIRLINE SYSTEM EXPERIENCING DIFFICULTIES
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